

Influence of Employee Commitment and Corporate Social Responsibility on the Performance of Firms in the South of Vietnam

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ABSTRACT

In today's increasingly competitive marketplace and global integration, it is important to recognize the nature of the relationship between corporate social responsibility, employee commitment and firm's performance of the companies in Vietnam in general and in the South of Vietnam in particular. It was found that four dimensions of corporate social responsibility, including Government, employees, customers, and other stakeholders have positive relationships with the firm's performance; and the employee commitment also plays important role in improving the firm's performance. Especially, the corporate social responsibility, and the employee commitment have significant impact on the organizational identification which also affects the firm's performance. These findings help the managers of the organizations located in the South of Vietnam to create proper policies and strategies for the sustainable development of their organizations.

Key words: Corporate social responsibility, Employee commitment, Firm's performance, Organizational Identification

INTRODUCTION

Corporate Social Responsibility (CSR) was defined as the compulsions of entrepreneurs to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of the society¹. The concept has gradually become a vital part for the whole strategic approach for sustainable development of organizations; thus, it has fascinated the special care of abundant scholars worldwide². Over the past few decades, more and more companies are voluntarily implementing their ingenuities in reducing or eradicating their negative impacts on society and the environment because their current business models are altruistic-oriented to deal with the increasing pressure from their stakeholders to demonstrate their responsibility and sustainability³.

Practically, the revolutions in the science and technology as well as the supply chains have significant impact on the life of the society meanwhile those in the socioeconomic environment also have fundamental influence on how an organization is organized to perform well in the context. Therefore, organizations try to form resemblance between the social values connected with or implied by their undertakings and the standards and suitable deeds in the loftier social system of which they are a part. In this new business model, corporate social responsibility has been one of the popular concepts, such as diversity management, moral capitalism, social capital, good corporate governance, social and environmental sustainability, social economics.

However, responsibility is a subjective term and different people can understand and implement it differently; therefore, it is virtually incredible to create a typical framework and the scope of the responsibility⁴. Due to the deliberation regarding CSR and its possible value in generating capabilities, the actual relationships between CSR and firm's performance (FP) have attracted many scholars worldwide to investigate. It was found that firms with higher CSR have better FP which results in lower risks in their business, and vice versa^{5,6}. However, Peng & Yang⁷ claim that such positive relationship fails to exist in every

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cases because different methodologies, approaches and selection of variables usually result in different findings⁸. Hence, it was suggested to have further researches to have deeper understanding of the nature of the relationship between CSR and FP⁷.

Although there have been several researches investigating the relationship between CSR and FP worldwide, a few of such studies have been conducted in the companies in the South of Vietnam. Moreover, employee commitment has been widely recognized as an important factor of FP⁸. In today's increasingly competitive marketplace and global integration, it is therefore important to investigate the nature of the relationship between CSR, employee commitment (EC) and FP of the companies in Vietnam in general and in the South of Vietnam in particular. Once such relationship is found to be positive, companies are then encouraged to improve its investments. This study, therefore, investigates CSR practices and employee commitment among the companies in the South of Vietnam and their impact on the performance of the investigated firms. The study uses a sample of 168 companies located in the South of Vietnam.

The rest of the paper is structured as follows. The next section discusses related literature in this field before the theoretical framework is proposed next. Then, an empirical case study of 168 companies located in the South of Vietnam is investigated to identify the relationship between CSR, EC and FP. Some discussions and concluding remarks make up the last section.

LITERATURE REVIEWS

Corporate Social Responsibility

By observing the practice of the shortage of social activities or concerns from the majority of corporates, Friedman⁹ raised the idea of CSR when it was claimed that corporates closely following the legal regulations and rules in producing quality products for the users were actually performing their responsibility to the society and significantly contributing to the development of the national economies. Drucker¹⁰ initially proposed the definition of CSR as they believed that doing social activities for the welfare of the community would result in huge amount of profits from community. Hence, they strongly suggested that protecting the living environment and natural resources should be seriously considered in their business strategies to work for the uplifting of the society. Since then, several scholars worldwide have especially interested in further investigating the relationships between CSR and FP.

Among numerous definitions of the CSR existing in the literatures, the one proposed by Mohr *et al.*¹¹ has been

commonly used, where the CSR is described as a company's commitment to minimizing or eliminating any harmful influence and maximizing its long-run beneficial impact on society. Several researches conducted in different contexts to further prove the impacts of CSR on FP, consumer behavior and employee behavior have lead to the need of corporate reports on their such commitments to be available to their consumers, community, employees and the government¹². Among the four key stakeholders, the corporate's responsibilities towards customers, employees and community are more important; especially their responsibility is the most critical one because their operations heavily depend on the health, stability, and prosperity of the communities in which they operate. As a matter of fact, most of their employees and customers come from the surrounding area¹³. Therefore, they can always sponsor local sports and cultural events, provide additional vocational training opportunities, recruit socially excluded people, make donations to charitable activities, etc. Social community initiatives are connected to the firm's core values, are responsive to moral pressures, and are based on the firm's core competencies. Firms are adopting these initiatives as a part of a strategy seeking a competitive advantage through reputation assets and/or in response to perceived pressures from the marketplace.

In this paper, based on the literature by Ali *et al.*⁸, the measure of CSR towards the Government is constructed with 4 items coded as CP1, ..., CP4; that towards the employees has 6 items coded as NV1, ..., NV6; that towards customers has 4 items coded as KH1, ..., KH4; and that towards other stakeholders has 6 items coded as XH1, ..., XH6. The contents of these 20 items will be provided on request for the sake of brevity of this paper.

Employee Commitment

Ongori¹⁴ defined employee commitment (EC) as an affective response to the whole organization and the degree of attachment or loyalty employees feel towards the organization while Akintayo¹⁵ considered it as the degree to which the employee feels devoted to their organization. Or employee commitment can be also referred to as the employees' attitude to organization¹⁶. The third definition is commonly used because employees' attitude actually broad enough to include various components.

It has been affirmed that EC is one of the crucial factors for an organization to achieve its success in the current context of international integration. Individuals with low levels of commitment normally pursuit their personal success rather than that of the organization as a whole. As such, they usually fail to concentrate on the optimal performance or they show low engagement in the organizational activities or even they only believe that they are waiting for better

opportunities elsewhere. However, high commitment employees often try their best to improve themselves for the sake of organizational development. They also believe that the survival and sustainable development of the organization provide critical benefits to them as an integral part of the organization. Such employees become creatively involved in the organisations mission and values, and constantly think about ways to do their jobs better. In essence, committed employees work for the organization as if the organization belongs to them. As a consequence, the commitment of an employee may be measured by different indicators, for example: his/her degree to adopt organizational values and goals; or his/her degree to fulfill his/her job responsibilities; or his/her behavior in performing the assigned tasks/works.

Allen & Meyer¹⁷ proposed an analytic view of organizational commitment, splitting it into three definable components, including: affective commitment (AC), continuance commitment (CC), and normative commitment (NC). Among them, AC shows how much an employee likes the organization; therefore, it is also referred to as his/her emotional attachment to organizational values while CC shows his/her willingness to continue working for the same organization; whereas, NC deals with his/her feelings of obligation, or sense of responsibility towards the organization. Khan *et al.*¹⁸ investigated the impact these three commitments and found that job performance significantly affects the EC; consequently, fostering EC will enhance the employee performance and accordingly increase organizational productivity. Furthermore, Habib *et al.*¹⁹ found that employees having greater EC perform better than those with lower EC. Especially, Ali *et al.*⁸ found that there is positive relationship between CSR and EC as well as between EC and organizational performance; thus, organizations engage in social activities can lead to higher EC because the activities include the welfare of employees and their families, resulting in the increase in FP.

In this paper, based on the literature by Mowday *et al.*²⁰ and Meyer & Allen²¹, the measure of AC is constructed with 7 items coded as TC1,...,TC7; that of CC has 6 items coded as DT1,...,DT6; that of NC has 6 items coded as DC1,...,DC6. The contents of these 19 items will be provided on request for the brevity of this paper.

Organizational Identification

Literally, the terms identification and commitment all closely relate to the employee attitudes towards their organization. Organizational identification (OI) practically refers to the extent of the self in terms of the membership in the organization or the perceived oneness with the organization; hence, it reflects the

psychological merging of self and organization²². The more people identify with an organization, the more the organization's values, norms, and interests are incorporated in the self-concept. Collective interest is experienced as the self-interest, and such interest intrinsically motivates employees to move further and develop with the organization because it is found that with the collective self-interest, employees are also more prone to endure as members which makes turnover significantly declined. However, there is certain difference between the identification and commitment. While commitment refers to a relationship in which the individual and the organization are separate entities psychologically, identification implies that the individual and the organization are one in the sense that the organization is included in individual's self-conception.

In this paper, based on the literature by Wiesenfeld *et al.*²³ and Jones & Volpe²⁴, the measure of OI is constructed with 5 items coded as ND1,..., ND5 whose contents will be provided on request for the sake of brevity of this paper.

Firm's Performance

In this paper, based on the literature by Chandler & Hanks²⁵ and Ahmad & Seet²⁶, the measure of firm's performance can be evaluated from 5 indicators, including: (1)the increase of revenue; (2)the increase of profit; (3) the increase in market share; (4)the increase in number of new customers; and (5)the increase of satisfied customers which are respectively coded as KQ1,..., KQ5. From the literature review above, our proposed research model is shown in Figure 1.

DATA ANALYSIS AND RESULTS

We conducted an official survey with a self-completed questionnaire designed on five point Likert scale. There were 1,000 questionnaires directly delivered to employees working for foreign-owned enterprises and small-medium ones located in the South of Vietnam. Totally, 980 completed questionnaires were collected, equally to the

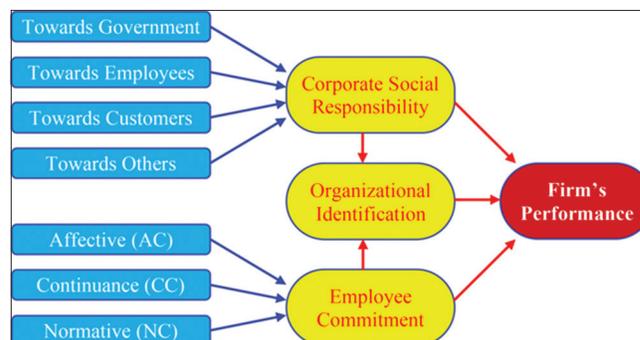


Figure 1. Our proposed research model

response rate of 98%; among them, there were only 956 valid observations used in our data analysis.

Among them, we have 57.3% females and 42.7% males; 56.3% holding college or a university degree; 25.3% taking a management position and 74.7% working as staffs; the number of employees working less than 3 years, 3-5 years and more than 5 years are respectively 26.0%, 52.5% and 21.5%; there are 12.4% having income less than 5 million VND/month, about 62% having income from 5-10 million VND/month; 49.8% of respondents come from foreign-owned enterprises.

Reliability Analysis

By using Cronbach's Alpha, we found that only the scale of CSR towards employees needs to omit the NV1 due to its low corrected item-total correlation (less than 0.3). Table 1 briefly demonstrates the results of our reliability analysis where it is found that the nine scales are reliable for further analysis. Therefore, the scales are now rewritten with new codes as shown in Table 1.

Exploratory Factor Analysis (EFA)

All of the 19 items in 4 scales of the CSR, 19 items in 3 scales of EC, 5 items in OI, and 5 items in FP are further analyzed with EFA. We found that the items in each scale are unchanged and the KMOs are all greater than 0.7 with the significance levels of 0.000, indicating that the EFAs are valid in this study.

Confirmatory Factor Analysis (CFA)

As shown in Figure 2, the CFA model has 1044 df., Chi-square/df = 2.005 (p=0.000), GFI = 0.917 > 0.9, CFI = 0.944 > 0.9; RMSEA = 0.032 < 0.08, indicating that the proposed model is accepted for its validity.

All of the coefficients in Figure 2 are statistically significant. Therefore, the scales in the proposed model are valid. They are now further evaluated with the structural equation modelling (SEM) as shown in Figure 3.

The relationships among the factors are verified with the tests of coefficients as shown in Table 2. With a given significance of 10%, the p-values in Table 2 clearly show that the identified coefficients are all significant.

Furthermore, in considering the FP difference between the foreign-owned enterprises and the Vietnamese small-medium ones, we found that the variance of the FP between the two groups are significantly different; however, the overall FP of the two groups are the same.

CONCLUSION

In management studies, organizational performance is one of the most crucial constructs in showing if an

Table 1: Reliability analysis

No.	Scale	No. of items	Cronbach's alpha
1	CSR towards Government (TNCP)	4	0.823
2	CSR towards Employees (TNNV)	5	0.762
3	CSR towards Customers (TNKH)	4	0.811
4	CSR towards others (TNXH)	6	0.895
5	Affective commitment (GKTC)	7	0.925
6	Continuance commitment (GKDT)	6	0.842
7	Normative commitment (GKDD)	6	0.827
8	Organization identification (NDTC)	5	0.682
9	Firm's performance (KQHD)	5	0.790

Table 2: Hypothesis tests results

Relationships	Standardized coefficients	p
NDTC←TNXH	0.089	0.000
NDTC←TNCP	0.097	0.000
NDTC←TNNV	0.134	0.000
NDTC←TNKH	0.131	0.000
NDTC←GKTC	0.110	0.000
NDTC←GKDT	0.090	0.000
NDTC←GKDD	0.126	0.000
KQHD←TNXH	0.147	0.000
KQHD←TNCP	0.148	0.000
KQHD←TNNV	0.148	0.000
KQHD←TNKH	0.164	0.000
KQHD←GKTC	0.182	0.000
KQHD←GKDT	0.167	0.000
KQHD←GKDD	0.156	0.000
KQHD←NDTC	-0.168	0.065

organization is growing sustainably. It is an objective indicator of how well the organizational objectives are achieved. Practically, it is affected by several factors with different weights. And the above results show that firms demonstrating CSR practices and having high employee commitment in the context of globalization can gain a number of benefits in terms of organizational identification and firm's performance; specifically, the performance of the firm including revenue, profit, market share, new customers, and satisfied customers will be significantly increased. It is because organizations have performed their effective social responsibility, their employees will have better work attitudes, greater productivity, and their turnover rate will be accordingly decreased. Moreover, corporate social contributions build a better reputation for the organizational identification in society and therefore, they can easily attract new quality employees. As a consequence, the implementation of CSR should be taken into consideration in gaining competitive advantage through differentiating the firm from its competitors by emphasizing the consistency of the operation with societal expectations. The increasing public awareness in the environment protection leads companies to provide environmental responsible activities

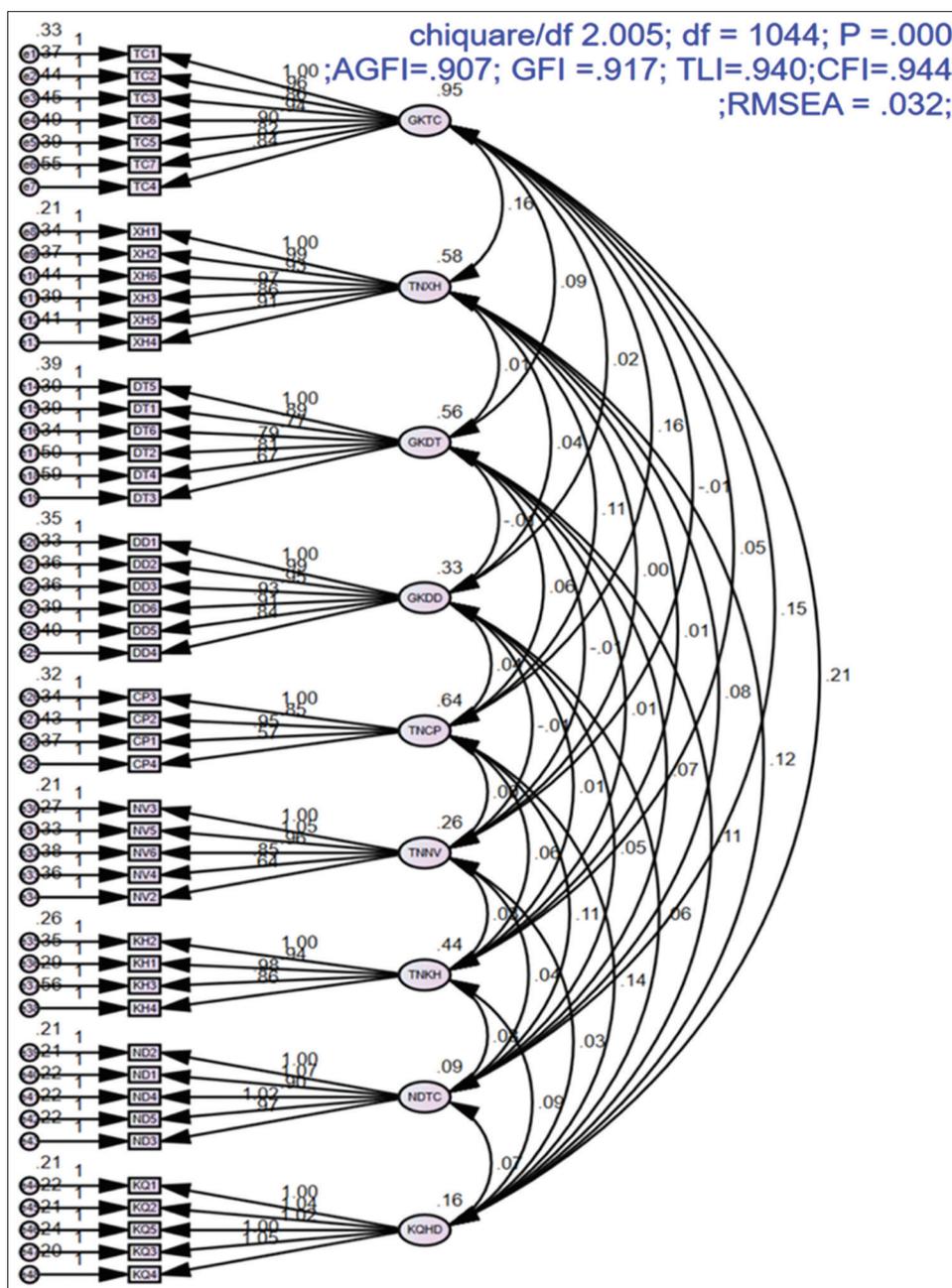


Figure 2: CFA Standardized Model

information as a communication tool to distinguish themselves from others, resulting in a much-improved public image.

In the case of companies in the South of Vietnam, four dimensions of CSR, including Government, employees, customers, and other stakeholders have positive relationships with the firm's performance. The employee commitment also plays important role in improving the firm's performance. Especially, the corporate social responsibility, and the employee commitment have significant impact on the organizational identification

which also affects the firm's performance. Moreover, activities as charitable donations or funding for contests indistinguishably occurred among firms also make certain contribution to their performance. Hence, providing and promoting social benefits is of great help to their growth. The needs for relevant information provision may lead to relevant actions, and that would be a necessary step to the sustainable development for Vietnam in the long run. These findings help the managers of the organizations located in the South of Vietnam to create proper policies and strategies for the sustainable development of their organizations.

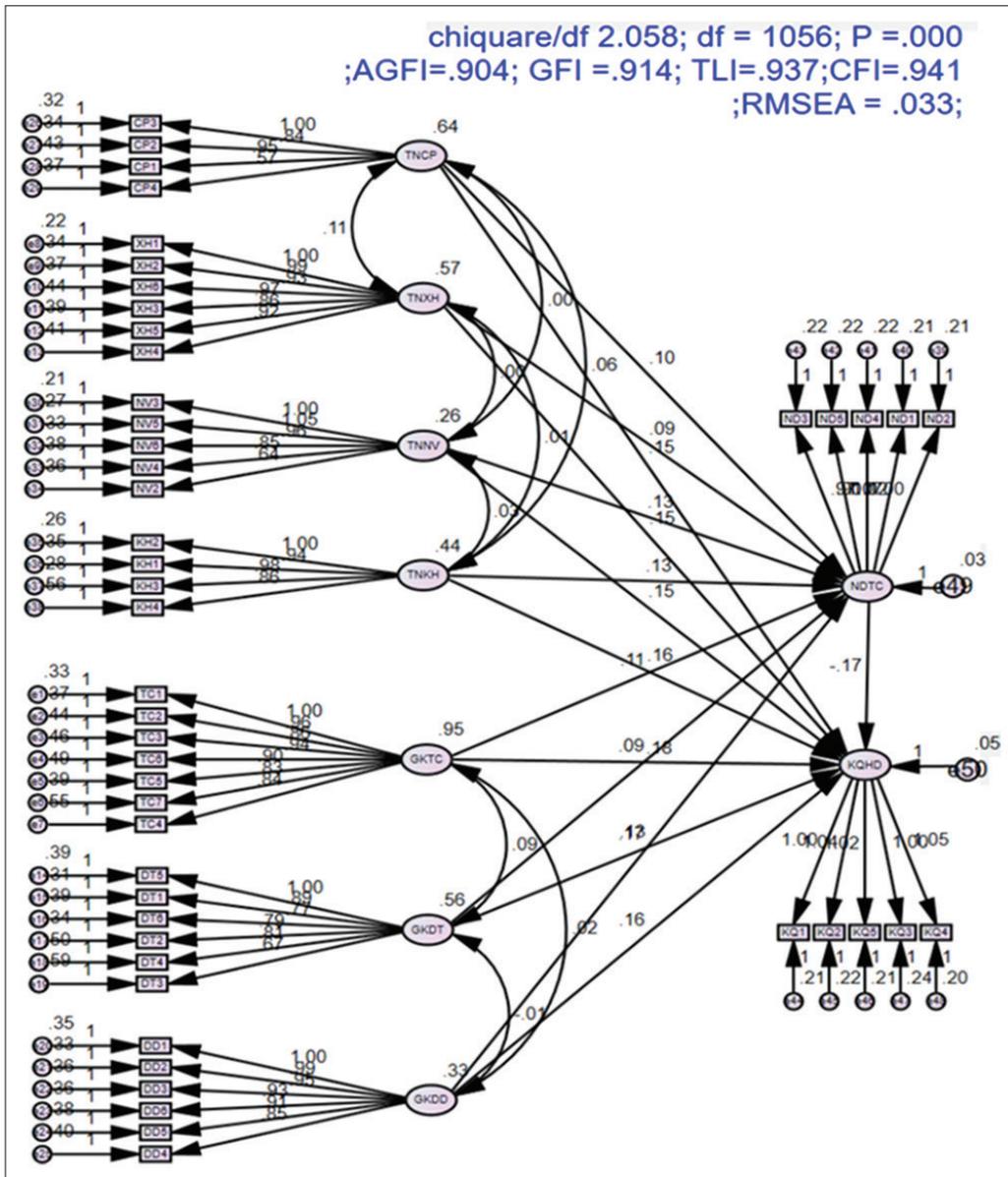


Figure 3: Structural Equation Modelling

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